

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 SOE-01 AID-05 CEA-01 CIAE-00
COME-00 DODE-00 EB-08 DOE-12 H-01 INR-07 INT-05
L-03 NSAE-00 NSC-05 OMB-01 PM-05 USIA-06 OES-07
SP-02 SS-15 STR-05 TRSE-00 ACDA-12 /114 W
-----106876 201601Z /42 45

R 131629Z DEC 77
FM AMEMBASSY LONDON
TO SECSTATE WASHDC 1206
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY COPENHAGEN
AMEMBASSY DUBLIN
AMEMBASSY LUXEMBOURG
AMEMBASSY PARIS
AMEMBASSY ROME
AMEMBASSY THE HAGUE
AMEMBASSY OSLO

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USEEC ALSO FOR EMBASSY

E.O. 11652: N/A
TAGS: ENRG UK EEC NO
SUBJECT: AN OIL AND GAS COLLECTION SYSTEM FOR THE NORTH
SEA

1. BEGIN UNCLASSIFIED. BEGIN SUMMARY: PROPOSED GAS AND
OIL GATHERING PIPELINES UNDER CONSIDERATION IN THE UK
WOULD ULTIMATELY INVOLVE EXPENDITURES OF OVER FIVE
BILLION POUNDS AND MIGHT EVEN DISTRIBUTE BRITISH AND
NORWEGIAN SECTOR GAS TO THE CONTINENT. HIGH DEPLETION
RATES WOULD BE REQUIRED TO MAKE THE PROJECT VIABLE. END
SUMMARY.

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2. A REPORT BEING PREPARED FOR THE UK DEPARTMENT OF
ENERGY (UKDOE) IS LIKELY TO RECOMMEND A NETWORK OF PIPE-
LINES TO COLLECT OIL, ASSOCIATED GAS AND GAS LIQUIDS FROM
OIL FIELDS, GAS FROM CURRENTLY UNECONOMIC GAS FIELDS,
AND GAS FROM THE NORWEGIAN SECTOR OF THE NORTH SEA. IN
ITS MOST AMBITIOUS FORM, THE NETWORK WOULD FEED SOUTH

ONCE ON SHORE AND TERMINATE WITH THE OFT-DISCUSSED PIPE-LINE TO THE CONTINENT FROM SOUTHERN ENGLAND. COSTS WOULD EXCEED FIVE BILLION POUNDS STERLING. COMBINED TOTAL BRITISH AND NORWEGIAN PRODUCTION BY 1985 MIGHT THEREBY REACH FIVE MILLION BARRELS OF OIL PER DAY, 12 BILLION CUBIC FEET OF GAS PER DAY, AND 30 MILLION TONS A YEAR OF GAS LIQUIDS. ENERGY SECRETARY BENN HAS STATED THAT THE PROJECT MIGHT BE A LOGICAL WAY TO SPEND NORTH SEA REVENUES, ALTHOUGH NO GOVERNMENT POLICY DECISIONS HAVE YET BEEN MADE.

3. NEW IMPETUS FOR THE PROJECT HAS BEEN GENERATED BY A SECOND REPORT, "THE COLLECTION AND DISPOSITION OF NORTH SEA GAS LIQUIDS," BY THE FIRM BUCHANAN AND CLACHER. THE LATTER NOTES THAT PRODUCTION OF SUFFICIENT ASSOCIATED GAS AND GAS LIQUIDS TO MAKE SUCH A PROJECT VIABLE WOULD REQUIRE A HIGH RATE OF OIL DEPLETION IN THE 1980S. IT ALSO SUGGESTS THAT MUCH GAS WILL BE LOST THROUGH FLARING (EVEN AT MODEST DEPLETION RATES) OR PERMANENTLY LEFT BEHIND IN SMALLER GAS FIELDS UNLESS A MAJOR NEW GATHERING NETWORK IS BUILT. SUCH A SYSTEM WOULD BE IN ADDITION TO THE CURRENT BRENT AND FRIGG GAS PIPELINES, NEITHER OF WHICH WILL HAVE APPRECIABLE SPARE CAPACITY. THE NEW NETWORK MIGHT BEGIN BY LINKING THE "SOUTHERN" BRUCE, BERYL, BRAE, BUCHAN SERIES OF HIGH-GAS OIL FIELDS AND SMALL GAS FIELDS LOCATED BETWEEN 57 AND 59 DEGREES NORTH IN UK LIMITED OFFICIAL USE

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BLOCS 14-16 AND 20-22 (I.E., NOT THE FAR-SOUTHERN GAS FIELDS). A SECOND STAGE WOULD ADD LINES CAPABLE OF CARRYING OIL, GAS, AND GAS LIQUIDS FROM BLOCS 3 AND 211 EAST OF THE SHETLANDS TO SULLOM VOE AND THEN SOUTH TO THE MAINLAND FOR LINKAGE WITH THE OTHER PIPELINES. GAS OR GAS LIQUIDS MADE AVAILABLE BY SUCH A GATHERING SYSTEM WOULD PRESUMABLY BE IN SUCH QUANTITY AS TO JUSTIFY A CROSS-CHANNEL PIPELINE. IF GAS LIQUIDS WERE SHIPPED, THESE WOULD PROVIDE FEEDSTOCKS FOR PETROCHEMICAL PLANTS ON THE CONTINENT. END UNCLASSIFIED

4. BEGIN LIMITED OFFICIAL USE: THERE IS A GENERAL BELIEF WITHIN UK OIL CIRCLES THAT CONTINUED EXPLORATION IN THE NORWEGIAN SECTOR IMMEDIATELY EAST OF THE "SOUTHERN" AREA 57-59 DEGREES NORTH WILL RESULT IN MORE FINDS OF GAS THAN OIL AND THAT OIL FINDS ARE LIKELY TO CONTAIN MUCH ASSOCIATED GAS. IF THIS PROVES TRUE, THE OVERALL PROJECT COULD PROVE ATTRACTIVE INDEED. THE UKDOE, HOWEVER, MAKES NO PRETENSE THAT THE NORWEGIAN GOVERNMENT IS CLOSE TO COOPERATION ON THE PROJECT AT THIS POINT. INDEED, IT IS UNDERSTOOD THAT SOME OFFICIALS IN NORWAY FAVOR DEVELOPMENT OF THEIR OWN LENGTHY GAS

PIPELINE RUNNING SOUTH, PARALLEL TO THE MEDIAN LINE AND
ACROSS DANISH WATERS, FROM WHERE IT WOULD DUPLICATE THE
RECENTLY COMPLETED PHILLIPS LINE TO EMDEN. A GAS LINE
ACROSS THE NORWEGIAN TRENCH TO THE MAINLAND IS ALSO

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ACTION EUR-12

INFO OCT-01 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01
CIAE-00 COME-00 DODE-00 EB-08 FPC-01 H-01 INR-07
INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-05 USIA-06
OES-07 SP-02 SS-15 STR-05 TRSE-00 ACDA-12 /108 W
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R 131629Z DEC 77
FM AMEMBASSY LONDON
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INFO AMEMBASSY BONN
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BEING CONSIDERED. EITHER OF THESE LATTER CHOICES,
PRESUMABLY FAVORED FOR NORWEGIAN NATIONALISTIC REASONS,
ARE SEEN BY THE UKDOE AS INCALCULABLY MORE EXPENSIVE
THAN TYING IN WITH A BRITISH-FINANCED NETWORK.

5. SENIOR OFFICIALS OF THE UKDOE GAS DIVISION HAVE
TOLD US THEY QUESTION WHETHER THE UK PIPELINE PROJECT
IS ECONOMICALLY FEASIBLE BEYOND SOME MODEST NETWORK
RUNNING ASHORE FROM THE "SOUTHERN" (57-59 DEGREE)
FIELDS. THEY RECOGNIZE, HOWEVER, THE ATTRACTION OF
CAPTURING AS MUCH OF THE NORTH SEA ASSOCIATED GAS AS

POSSIBLE IN LIEU OF FLARING, AND OF SOMEHOW MAKING USE
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OF THE SMALLER GAS AND OIL FINDS.

6. THE OVERALL PIPELINE PROJECT HIGHLIGHTS A NORTH SEA DILEMMA: WHERE DEVELOPMENT COSTS ARE SO HIGH, ONE MUST PRODUCE A LOT TO HAVE A LOT. ON ONE HAND, THE SYSTEM WOULD ALLOW PRODUCTION FROM MARGINAL OIL AND GAS FIELDS WHICH OTHERWISE WOULD NEVER BE RECOVERED WITH CURRENT TECHNOLOGY. (ONE COMPANY TOLD US THEY RECENTLY FOUND AND ABANDONED A NORTH SEA FIELD HAVING AT LEAST 40 MILLION BARRELS OF RECOVERABLE OIL: NOT ENOUGH TO BREAK EVEN WITH NORMAL PRODUCTION COSTS.) ON THE OTHER HAND, VERY HIGH OIL DEPLETION RATES WOULD BE REQUIRED IN ORDER TO MAKE SUCH AN EXPENSIVE PROJECT PAY. THIS RISKS COMPRESSING BRITAIN'S OIL ERA INTO A SPECTACULAR BUT SHORT PERIOD. TOO, BRITISH GAS CORPORATION ALREADY IS EMBARRASSED BY LARGE PROFITS. ONE ARGUMENT FOR AT LEAST THE PARTIAL 57-59 DEGREE NORTH GAS PIPELINE NETWORK IS THAT ASSOCIATED GAS FROM THE NORTH COULD BE PIPED SOUTH, FLOWING IN REVERSE THROUGH THE EXISTING PIPELINES TO THE FAR SOUTHERN GAS FIELDS OFFSHORE (INDEFATIGABLE, WEST SOLE, ETC.). THE UKDOE WOULD HOPE THEREBY TO USE THE OLDER RESERVOIRS AS STORAGE AS THOSE FIELDS CONTINUE TO DEplete.

7. TO DATE, WE HAVE HAD LITTLE INDICATION THAT THE BRITISH WOULD CHOOSE TO BECOME A SIGNIFICANT NET EXPORTER OF OIL AND GAS AT THE EXPENSE OF THEIR OWN LONGER-TERM SECURITY, AND OF POTENTIAL GAINS FROM A SHARP INCREASE IN FUEL PRICES. INITIATION OF THE GRANDER PIPELINE PROJECT (I.E., BEYOND THE PARTIAL NETWORK MENTIONED ABOVE) WOULD BE A STRONG SIGNAL THAT BRITAIN'S OIL DEPLETION POLICY FOR THE EIGHTIES WOULD AIM FOR A LARGE EXPORTABLE SURPLUS.

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BREWSTER

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Message Attributes

Automatic Decaptioning: X
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Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
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